



February 9, 2016



PSBA Special Report: Gov. Wolf's 2016-17 State Budget Proposal

This week Gov. Tom Wolf delivered his second state budget address to the General Assembly, even as the 2015-16 budget is not final. The \$32.7 billion proposal is based on the 2015-16 funding he offered last year and what was included under the "framework plan" that emerged last fall. The budget proposal provides increases for both basic and special education, and focuses on accountability for schools and charter school reform measures.

Key components for education under the governor's plan includes:

Basic Education: A \$200 million (3.28%) increase above the assumed \$377 million increase in 2015-16, for a total of \$6.3 billion. The subsidies will be distributed using the funding formula created by the bipartisan Basic Education Funding Commission.

Special Education: A \$50 million (4.56%) increase is proposed, in addition to the assumed \$50 million increase in 2015-16, for a total of \$1.146 billion.

Career and Technical Education: The 2016-17 budget provides \$15 million in additional support for the establishment and expansion of high-quality CTE programs.

Career and Technical Education Equipment Grants: The budget includes \$5 million for CTE equipment grants to support updating or purchasing new equipment used in the training of students. Priority will be given to Career and Technical Education grant applicants that show an in-kind or monetary contribution from employers or other partners.

Career Counselors: Continuing the investments made in 2015-16, the 2016-17 budget includes \$8 million to help school districts to offer college and career counseling in middle and high schools to develop pathways to higher education and high-skill careers.

Authority Rentals and Sinking Fund Requirements: The funding that is used for reimbursement to schools for approved construction projects (PlanCon) is set at \$306 million.

Assessment - Funding for state and federal testing programs receives a 1.8% increase for a total of \$59.3 million.

Teacher Professional Development - The budget provides level funding at \$7.46 million.

Early Childhood: A \$60 million (30.5%) increase for early childhood programs. This provides an additional \$50 million for Pre-K Counts for a total of \$197.2 million and a \$10 million more for a total of \$59.1 million for the Head Start Supplemental Assistance Program.

Accountability Initiatives

Office of School Improvement: (Turnaround Schools) The Department of Education (PDE) will devote full-time resources and supports to address the needs of the commonwealth's persistently low-performing schools. PDE will establish an Office of School Improvement (OSI). The department will identify persistently low-achieving turnaround schools eligible for OSI-led interventions and support, including diagnostic audits, revised school improvement plans, and training and technical assistance. Turnaround Specialists will work with school leadership teams to identify and leverage resources through the department, intermediate units, higher education institutions and other educational partners. Through these targeted efforts, the OSI will help schools implement new policies and systems that support student success while closing the achievement gap.

School Performance Profiles: The current School Performance Profile (SPP) system will be revised so that it does not too heavily rely on test scores.. A revised SPP will take into account student growth, opportunities for advanced study, industry benchmarks, and student behaviors, like attendance, that impact school success. The SPP will hold schools accountable for more than just the results of a test score that captures student learning at one point in time.

Charter School Reform

Charter School Reimbursements for Special Education: The 2016-17 budget implements the recommendations of the Special Education Funding Commission by adjusting charter school reimbursements to better reflect actual costs of educating students with special needs. The proposed change will be phased in over the next three years, and result in more than \$180 million in savings to school districts. The recommended funding formula incorporates three levels of reimbursement tied to per-student cost of services. The appropriate multiplier is applied to a school district's regular education tuition rate to determine the tuition reimbursement for each special education student educated at a charter school:
Category 1: 1.51 for students receiving services less than \$25,000 per year
Category 2: 3.77 for students receiving services equal to or greater than \$25,000 but less than \$50,000 per year
Category 3: 7.46 for students receiving services equal to or greater than \$50,000 per year

Cyber Charter Funding Reform

The 2016-17 budget implements these funding changes for cyber charter schools that would save \$50 million annually for school districts across the commonwealth:

Regular Education Tuition: In addition to the standard deductions currently used to calculate regular education tuition rates, the budget proposes taking additional deductions from total expenditures to better reflect the different costs incurred by cyber charter schools. The additional deductions include expenditures for libraries, nonpublic support, tax assessment and collection, nonpublic health, community services, and a portion of operation and maintenance of plant services. The per student regular education tuition rate is then capped at the 70th percentile rate across all school districts.

Special Education Tuition: For the more than 6,800 special education students educated at cyber charter schools across the state, special education tuition rates are calculated according to current law, which would incorporate the revised regular education tuition rate, as previously described. The special education rate is also capped at the 70th percentile rate across all school districts.

Other Charter Reforms

Making the Pension Double Dip Prohibition Permanent: Last year the General Assembly in its budget

deliberations voted to eliminate the state portion of the reimbursement to charter schools for employer retirement contribution costs, and the 2015-16 budget would make this provision permanent. However, this elimination of the double dip of pension payments to charters makes no changes to the requirement for school districts to pay 100% of these costs for charters

Reimbursement Based on Audited Costs: By the end of the 2013-14 school year, charter and cyber charter schools amassed undesignated, unreserved fund balances of more than \$148 million by collecting more in tuition revenue than they actually spent on students. The 2016-17 Budget includes a requirement for an annual reconciliation, whereby charter and cyber charter schools will refund money to their sending school districts if the charter school's audited expenditures are less than its tuition revenue.

Click on these links for district-by-district subsidy charts from PDE:

[2016-17 Proposed Summary of State Education Appropriations](#)

[2016-17 Proposed Basic Education Funding](#)

[2016-17 Proposed Special Education Funding](#)

[Click here to see 2016-17 proposed budget legislation \(entire state budget components\)](#)

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